The Five-Point Plan

Creating a Sustainable Path to Minority Homeownership

National Association of
NAHREP
Hispanic Real Estate
Professionals

AREAA
Asian Real Estate Association of America

NAREB
REALTIST
National Association of Real Estate Brokers

The National Association of Hispanic Real Estate Professionals, The Asian Real Estate Association of America and the National Association of Real Estate Brokers represent more than 70,000 real estate practitioners of color and the growing minority community of America.

The National Association of Hispanic Real Estate Professionals, a non-profit 501c6 trade association, is dedicated to increasing the homeownership rate among Latinos by educating and empowering the real estate professionals that serve them. Based in San Diego, NAHREP is the premier trade organization for Hispanics and has more than 17,000 members in 48 states and 62 affiliate chapters.

Established in 2003, the Asian Real Estate Association of America's membership represents a broad array of real estate, mortgage and housing-related professionals that serve the diverse Asian/Pacific-American market. AREAA is the only national trade association dedicated to representing the interest of the Asian real estate market throughout the country. It pursues initiatives that expand home ownership opportunities for more Asian/Pacific-American families, that increase business opportunities for its members, and that deliver tangible results for its national partners.

NAREB, founded in 1947, was formed out of a need to secure the right to equal housing opportunities regardless of race, creed, or color. Since its inception, NAREB has participated in and promoted meaningful challenges and legislative initiatives to ensure fair housing for all Americans now with 88 Local Chapters nationwide.

For more information, visit the website at: www.nareb.com <http://www.nareb.com/> .

OVERVIEW

In the worst real estate market since the 1940s, minority homebuyers have shouldered a disproportionate brunt of the housing downturn. Faced with foreclosed homes scattered throughout our communities and with unsustainable mortgages burdening our homeowners, minority communities have suffered significant declines in homeownership rates and have watched a generation of wealth disappear. Homeowners have endured financial tragedies that will set them back many years. By all indicators, the end of this epic real estate crisis is nowhere in sight.

Even with the unprecedented federal effort to stabilize the economy and incent homebuyers to jump back into the housing market, home prices continue to fall and foreclosures continue to rise in most regions throughout the nation. Government led efforts from loan modification programs to foreclosure moratoriums have been created to allow a soft landing for the real estate market. Still, it is unlikely that government alone can steer this massive real estate crisis back to recovery.

It is our firm belief that sustainable homeownership will transform communities and create enormous economic opportunities for everyone. Throughout this crisis, many have questioned the value of homeownership. We believe the dream of homeownership remains an important tool for economic growth, providing opportunity for families and stability for America's communities.

In this new decade, we must focus on sustainability and common sense practices in the way real estate is sold and financed in America. We must demand accountability and responsibility from everyone in the real estate market. This document outlines our plan to rebuild the real estate market and restore confidence in the American dream of homeownership, particularly for the multicultural communities that have been hit so hard by this crisis.

EXPANDING CRA
Making It A Tool For Sustainable Homeownership

The Community Reinvestment Act (CRA) enacted in 1977, was created to provide increased access to credit for low- and moderate-income communities across the country. CRA combined with consumer protection, mortgage disclosure and fair lending laws have materially reshaped the way residential mortgage, small business and other financial services are offered to low- and moderate-income neighborhoods. While there are misguided charges that CRA was a central player in the current housing crisis, the fact remains that CRA regulated institutions significantly outperformed non-regulated financial institutions when it comes to mortgage performance.

CRA has traditionally focused on broad access to credit and the delivery of service to low- and moderate-income communities. In more than three decades of existence, CRA's regulatory framework has evolved. Unfortunately, the mortgage market has evolved faster. Heading into the current crisis, CRA regulated entities became a smaller part of the mortgage market. Nonbank lenders and Wall Street emerged as significant sources of liquidity and mortgage originations. At the same time, the focus of the CRA examination remained focused on the front-end origination process and overlooked the performance of the loans through servicing.

As we look ahead to the next decade, we believe CRA should be expanded to all non-insured financial institution mortgage lenders that serve low-and moderate-income communities. Equally important, we believe that CRA examinations must include a robust servicing assessment of the housing finance and small business lending operations. With the continued diversification of the U.S. population, it is ever more critical to foster innovations in the way loans are serviced. The success of the current housing recovery rests squarely on the shoulders of the servicing platforms. We must ensure that all CRA regulated entities meet industry standards and deliver consistent and equitable solutions to troubled borrowers. CRA examiners must assess how these financial institutions implement loan modifications, short sales and REO disposition programs to ensure that broader community development goals of CRA are met.

Making Homebuyer Education A Requirement For All First Time Homebuyers

According to a landmark study published in 2001 by housing researchers Peter Zorn and Abdighani Hirad, homebuyers who receive face-to-face pre-purchase homeownership counseling are less likely to become delinquent on their mortgages. The study maintains that the type of counseling a homeowner receives has a direct impact on their success in staying current on their mortgage. Those people who received one-on-one counseling had a 34 percent reduction in mortgage delinquency, followed by classroom programs (26 percent), home study (21 percent) and telephone counseling (no impact).

The process of purchasing and maintaining a home is complicated and challenging. For most, homeownership is the single largest financial event of their lives. The majority of first-time buyers lack the knowledge to adequately prepare both financially and emotionally for the significant responsibility of owning a home. Lack of preparation can have devastating consequences. Pre-purchase counseling offers new homeowners the basic information they need to make good decisions and plan responsibly. As studies have shown, guidance can dramatically reduce defaults and foreclosures.

All first-time buyers must receive homeownership counseling before they buy a home. We propose:

- 8 hours of face-to-face homeownership counseling by a HUD certified counseling agency
- Completion of a certified course that includes management of a household budget

Considering the enormous amount of capital the federal government has recently been forced to spend to bail out the financial industry, an investment in pre-purchase education for all first-time homebuyers would be a responsible use of taxpayer money and a solid measure of insurance for the future.

REDUCE FORECLOSURES

Increase Principal Forgiveness To Reduce Foreclosures

More than 15 million Americans currently are "upside down" on their mortgages, a situation that has the potential to prolong the current housing crises well into this decade and cause more than one trillion dollars in losses for homeowners, security investors and lenders combined. If we fail to act to address the negative equity situation, the market will undoubtedly continue to experience historic levels of foreclosures that will create significant downward pressure on housing prices, displacing millions of families from their homes. Our current path does not provide us with the public policy benefit we seek: Keeping significant numbers of homeowners in place in a sustainable way.

While well intended, the current government programs have been slow to show results and have had limited impact relative to the size of the problem. We advocate that principal forgiveness for qualified borrowers on loans owned or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae, be materially increased so that it gives homeowners the necessary debt relief needed to stay in their homes. Our proposal would include:

- Principal forgiveness for homeowners that qualify for a HAMP loan modification, and who have more than 10 percent of negative equity. Additionally, this program should provide relief first to low- and moderate-income families who are struggling to meet their mortgage obligations.

- Offset the initial investment from the federal government to reduce the mortgage debt obligation for homeowners by allowing the government to share in home price appreciation over a ten-year period.

- Require homeowners who participate in this program to commit to resale and reuse restrictions that will make the property affordable for a ten-year period.

- Mandate that existing homeowners must also attend budgeting and housing counseling programs

REINVIGORATE THE MORTGAGE MARKET

Ensure Liquidity, Sustainability and Affordability

Many experts have charged that lax and aggressive lending practices have created this massive crisis in the housing market. Basic common sense underwriting practices that ensure the borrower's ability to repay a loan gave way to a speculation-based lending that relied on continued home price appreciation. Unsustainable loans created a false perception of affordability.

Faced with mounting mortgage losses and the disappearance of secondary market capital, mortgage lenders tightened credit availability and increased downpayment requirements over the past several years. Mortgage financing is increasingly difficult to obtain. Absent the re-emergence of FHA and continued engagement of the Government Sponsored Enterprises (GSE), financing options for many minority homebuyers would have come to a halt.

For this reason, the Coalition fundamentally supports FHA's effort to stabilize its insurance fund. Some of these proposed changes, including increasing the upfront and monthly premiums, will make it difficult for some first-time and minority borrowers to obtain financing. On balance these changes will help to recapitalize the fund and provide FHA with the ability to continue its important mission.

In addition to FHA, the GSEs had been the largest source of mortgage capital for minority homebuyers in the country. While Fannie Mae and Freddie Mac have faced significant losses in recent years and have required significant infusion of taxpayer's dollars, these institutions continue to play a critical role for minority homebuyers. In whatever form the GSEs re-emerge from the current conservatorship, it is critical that these agencies help to restore confidence in the secondary market and expand the flow of affordable and stable mortgage capital. While in conservatorship, we believe strongly that these institutions' affirmative obligation to advance affordable housing cannot be diminished. Our constituencies recognize that it was critical to stabilize the capital position of these institutions. Yet, the GSE's affordable housing goals must be re-examined and strengthened whenever possible to keep them in alignment with their mission.

In that spirit, we believe that recent changes to the GSE's delivery fees have had a negative impact on affordable markets and increased the cost of homeownership, particularly for low- and moderate-income borrowers and minorities. This will have a detrimental effect over the long term. Now that it's clear that the GSEs have the government's explicit backing, their goals should be increased to ensure that they are adequately meeting the financing needs of traditionally underserved communities, particularly self employed and thin-file borrowers.

PROTECT CONSUMERS

Empower A Consumer Protection Agency To Drive Change

It is becoming inreasingly difficult for many people, especially moderate-income families and minorities, to pursue the American dream of homeownership and participate in our nation's economic recovery. Mortgage originations for these populations are currently at an all time low. As American family income and wealth continues to decline and access to credit and capital has tightened, now is not the time to introduce new borrower fees. While we understand that these fees are being levied in the name of risk management, it does not appear that the money generated by the new fees is being set aside to offset mortgage losses, to fund borrower rescue programs or lessen the burden of taxpayers.

Consumer interests must come first in order to restore confidence in the mortgage market. A systemic failure to protect consumers from unscrupulous lenders led to a historic unraveling of the real estate market. If we are to attract mortgage investors again and get the housing finance system back on the right track, everyone must agree to create mortgage products that are sustainable and will keep consumers in their homes. After all, investors want certainty and longevity in their investment – just as consumers want sustainable homeownership. For this to work, the mortgage delivery system must be fair and fully transparent to ensure full fundamental alignment in the interests of homeowners and investors alike.

It is critical that regulatory reforms offer consumers strong and robust protections. Too often, the debate has centered on the politics of where the agency is housed rather than how to empower it to take decisive action against harmful products and unscrupulous industry players. No matter if the agency is independent or continues to be a part of a bank regulator, it is absolutely essential that the regulatory power of the consumer protection body is materially enhanced. The agency must have the power to review products and services that are being offered in the market. Market innovation and efficiency must be balanced and aligned with a guiding set of principles that protect consumers and advance sustainable homeownership. Until our values are in alignment with our actions and practices, we cannot rebuild the real estate market and restore confidence in the American Dream, particularly for minority and immigrant families.